



# CONGRESSWOMAN GABRIELLE GIFFORDS

## Solar Schools Act

H.R. 4967

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### Purpose

To amend the Internal Revenue Code of 1986 to provide an exception to the arbitrage rules for prepayments for electricity generated from renewable resources.

### Why is solar energy a good fit for schools?

- School buildings are used most heavily during the day, during the same hours that solar energy generation is highest.
- Solar power provides price certainty over the long-term, a valuable advantage for cash-strapped schools that need every extra penny for their educational mission.
- When solar panels are present on a school they can be integrated into the educational process, sparking important conversations about the role of energy in students' lives.
- School buildings serve an important function as gathering places for our communities; by ensuring that they have an uninterruptable energy supply we can strengthen their ability to meet the needs of a community in both good times and bad.

### Current issues

Currently government institutions, like school districts, can develop solar energy in one of two ways: through a Power Purchase Agreement with a third party solar installer who maintains ownership of the solar panels and who can claim the investment tax credit; or by financing the direct purchase of the solar system through tax exempt bonds.

If the school district were able to combine both approaches, financing a solar installation through tax exempt bonds *and* claiming the investment tax credit, it would make clean renewable energy much more affordable.

Unfortunately, some analysts have questioned whether this practice would run afoul of anti-arbitrage provisions in the U.S. tax code that apply to the use of tax exempt bonds. Reducing the amount a school would have to pay for electricity could be considered a profit, which is prohibited for tax exempt bonds.

### The Legislation

This legislation would create an exemption to the anti-arbitrage provision specifically for local government entities, like schools, that use the proceeds from tax exempt bonds to enter into pre-paid contracts for renewable energy. Publically owned utilities are currently granted just such an exemption to enter into similar contracting agreements; the *Solar Schools Act* would extend that exemption to local government entities.